

Statement

Insurance Association of Connecticut

Insurance and Real Estate Committee

February 19, 2009

HB 6447, An Act Mitigating Fire Losses For Mitigating
Fire Losses For Homeowners and Business Owners

6447

The Insurance Association of Connecticut is opposed to HB 6447, An Act Mitigating Fire Losses For Homeowners and Business Owners, as it is impractical and unnecessary.

HB 6447 seeks to unjustifiably shorten the time period in which an insurer has to pay after receipt of a proof of loss from 60 days to 14 days. A proof of loss is a formal demand for payment, typically used in large complicated property losses that involve extensive claim management. This provision does nothing more than drastically shorten the time period in which an insurer has to properly adjust a claim. Fourteen days is far too short of a period of time for an insurer to complete an investigation and properly assess the value of a loss. HB 6447 will only result in leading to higher incidents of fraud. Insurers are faced with stiff interest penalties if they do not comply with the time mandates prescribed by this section. Additionally, the shortened timeframe of 14 calendar days would apply to all losses, even those associated with a high volume event, like the recent ice storm. Under such circumstances an insurer would not be able to comply with terms of this provision. Such an application is completely impractical and unnecessary.

Additionally, HB 6447 would seemingly permit an insurer the ability to make a partial payment to meet the above-noted reduced timing requirement. However, any payment made by an insurer is predicated upon an agreement that the insurer has accepted the terms of the insured's demand. That agreement can only be made once an insurer has had ample time to properly investigate and assess the loss. A partial payment would simply bind the insurer and provides no relief from the shortened time to complete an investigation.

HB 6447 also seeks to increase the amount of time an insured has to bring an action against an insurer, pursuant to this act, from 12 months to 24 months. The purpose behind the statute of limitations is to encourage speedy resolution of such claims to the advantage of the insured and the public at large. Most cities and towns have anti-blight ordinances that require a property owner to repair structural damage within a specified timeframe. The ordinances have been adopted to protect the public from the dangers presented by damaged buildings. Extending the time an insured can bring an action against an insurer runs contrary to the public policy behind the ordinances by only delaying resolution and repair, and jeopardizing the public safety by the dangers presented by the damaged buildings.

Finally, HB 6447 seeks to exempt Condominium Master Policies from the terrorism exclusion contained in most commercial policies. We do not understand the rationale behind this proposal. The application of the terrorism exclusion was based upon the likelihood that such properties would be impacted by an act of terrorism. It is not to say the property itself had to be the target of terrorism but impacted by a terrorist event. Condominium complexes were

deemed a risk, like many other commercial ventures. Right now all condominium complexes can purchase terrorism coverage or exclude terrorism coverage for a reduced premium after signing the appropriate waiver form provided for under the terrorism act. The condominium board of directors is best suited to decide whether or not terrorism coverage is needed for the complex. It should not be determined by the legislature. HB 6447 will only result in increasing the premiums for those condominium complexes that chose not to purchase terrorism coverage.

The IAC urges your rejection of HB 6447.